

LIST OF INTERESTS

1. Complexity/Simplicity
2. Durability/Stability/Contract Enforceability
3. Legality
4. Lowest Tier 1 Costs/Rates
5. Customer/Regional Support
6. Salability in D.C.
7. Certainty of Obligations For All Parties
8. Promote infrastructure development consistent with the Act
9. The region see decisions as equitable
10. Consistency wth BPA Stewardship Obligations

PROPOSED RESOLUTIONS

Updated: 2/16/06

SERVICE TO PUBLICS: PROPOSED RESOLUTIONS

Proposed Resolution #1

% Or aMW: Allocation Methodology

BPA will provide a proportional increase in deliveries available with a High Water Mark if the FBS increases, comparably to how BPA has proposed to treat a decrease in FBS capability. Such increases will be provided proportionally based on each utility's High Water Mark.

Proposed Resolution #2

Determination of Individual HWMs for Load Following Customers

The total amount of power available for High Water Marks for current load following customers will be equal to the sum of the load following customers' forecast FY2002 net requirements determined in BPA's WP-02 Rate Case using BPA's Load Study 3 as further adjusted upwards by specific adjustments in the PPC proposal. BPA will redistribute this total amount of power among this same group of customers in proportion to each customer's net requirements calculation (done for, e.g. 2009 or 2010) performed at the time of contract offer. **To ensure there is not a disincentive for conservation for this group of customers, HWMs will be adjusted to account for each utility's conservation achievements between FY02 and the year the redistribution occurs.** **[Added on 11/22/05].** These redistributed amounts of power will be the HWM for each individual load following customer.

Exception: By providing notice to BPA prior to XX/XX/06 a partial service load following customer may opt out of being treated the same as the other load following customers and instead take a HWM based solely on a FY2002 net requirements calculation determined from BPA's WP-02 Rate Case using BPA Load Study 3, as further adjusted upwards by specific adjustments in the PPC proposal.

Each customer may use its High Water Mark to purchase its choice of the available products for their new Regional Dialogue Contract.

Proposed Resolution #3

**Where Is The FBS Capability Used To Determine The Size Of Customers' Allocations Determined?
(Rate or contract issue)**

The Regional Dialogue contracts will set forth the FBS resources, and their firm capability, that will be used to establish the initial HWMs. The Regional Dialogue contracts will also set forth the source of information and the process that will be used to periodically adjust those resource capabilities.

Proposed Resolution #4

[Updated 2/16/06] Resource Removal

If an acceptable Regional Dialogue package with resolution of IOU and DSI benefits comes together, BPA contracts would include resource removal rights for resources dedicated to serve Tier 1 loads within the following limits:

All generating public customers will receive a contractual right to remove resources of at least:

- (a) 5 percent of their total retail load (TRL) projected for FY 2012; plus,
 - (b) The aMW of fully self-funded cost-effective conservation (as defined by the Council) achieved and verified since the start of FY 2002 (self-funded does not include Conservation and Renewable Discount funds); plus,
 - (c) If adding a + b above to the customer's net requirement is still less than the customers HWM, the amount of aMW needed to close the gap, up to another 7 percent of their Total Retail Load.

Here is an example of how these rights would work:

Customer A

TRL = 1000

HWM=500

Net Requirement= 400

Self-Funded Conservation Achievement=20

This customer has a 100 aMW gap and would receive a 100 aMW resource removal right calculated as follows:

- (a) 5% of TRL = 50, plus (b) Self-Funded Conservation = 20, plus (c) 7% of TRL is 70 but only 30 is needed to close the gap. ($50+20+30=100$).

Customer B

TRL = 100

HWM=95

Net Requirement= 80

Self-Funded Conservation Achievement=0

This customer has a 15 aMW gap and would receive a 12 aMW resource removal right calculated as follows:

- (a) 5 percent of TRL = 5, plus (b) Self-Funded Conservation = 0, plus(c) 7 percent of TRL is 7. (5+0+7=12).

These rights would be based on the net requirement calculated for 2012 just before the contracts would go into effect. The resource removal right will be

based on this one-time calculation and will only be updated to account for additional self-funded conservation achieved and audited in later contract years.

Proposed Resolution #5 Grouping for Load Following

There is currently an expectation that the class of net requirements for customers that choose load following products will be less than the total of their individual High Water Marks in 2012, providing an amount of unused headroom. Until the total of the net requirements for this group exceeds the total of their individual HWMs no load following customer will face a Tier 2 rate. In the year BPA projects that the groups total net requirement will exceed their total HWM amounts (calculation to be done in a rate case applying to that year), each customer will revert to their individual HWM and its associated rate consequences for the remainder of their contract.

NOTE: BPA's participation in this resolution is premised on this only applying to load following customers and having all of these customers considered a part of this group due to concerns about the complexity of having more than one group.

CONTRACT ELEMENTS: PROPOSED RESOLUTIONS

Proposed Resolution #6

[Updated – 1/19/06] Timing of Regional Dialogue Contracts

BPA's proposal will be modified to have power service for all new contracts and supporting rates begin in October 2011. The target date for signing new contracts (effective date) will be extended to October 2007.

Proposed Resolution #7

[Updated – 11/29/05] Clarify Contracting End Date

Recognizing the Region's interest in maximizing the term of Regional Dialogue Contracts, the signing deadline for new contracts will be moved two months: from August 2007 to October 2007. This extends the end of the contract term by one year from previous termination dates of September 30, 2026 to September 30, 2027. BPA will continue to explore other ways to lengthen the term of the contracts.

Proposed Resolution #8

Starting Point for Standard Contracts

The provisions of the existing Subscription contracts will be used as the "starting point" for drafting standard Regional Dialogue contracts. That is, we will not draft Regional Dialogue contracts from "a blank sheet of paper." BPA will propose changes as needed to ensure the contracts reflect the Regional Dialogue Policy/ROD, changes in products, or improved business practices.

CONTRACT ELEMENTS: OUTSTANDING ISSUES

Outstanding Issue: Timing of Long-Term Rate Methodology

BPA recognizes the customers' interest in knowing the future rate methodology prior to signing contracts. BPA will look for ways to accommodate this while maintaining the current contract-signing schedule (August 2007).

COST CONTROLS: PROPOSED RESOLUTIONS

Proposed Resolution #9

Cost Management Group

1. Customers and other interested stakeholders will form a single Cost Management Group (CMG), which will be broadly representative of the breadth and diverse customers and other stakeholder interests.
2. The CMG will seek "consensus" which generally means broad support, not 100% support of the group.
3. Agreement between the CMG and BPA describes the situation when BPA agrees with the CMG "consensus".
4. The scope and structure of the CMG needs to be clearly defined prior to signing contracts. In the meantime, we think it generally includes cost levels used for rate-setting, and major policy decisions that drive future costs and capital programs. The treatment of issues dealt with in other BPA processes (such as re-payment studies, risk-mitigation packages etc.) will be dealt with when the CMG proposal has been further developed and its details are better understood.
5. The Technical Group chartered a subcommittee of its members to further refine this proposed resolution and bring back a proposal November 3rd that:
 - a. Keeps in the spirit of the high-level principles above
 - b. Defines what "broadly representative of the breadth & diverse customers and other stakeholder interests" means (in #1)
 - c. Defines what "broad support" means (in #2)